

Industry Circular



Internal Revenue Service
Alcohol, Tobacco, and Firearms Division
Washington, D.C. 20224

Industry Circular No. 69-4

January 29, 1969

**PROPOSED AMENDMENT OF 26 CFR PARTS 201, DISTILLED SPIRITS
PLANTS, AND 240, WINE**

Proprietors of distilled spirits plants, bonded
wine cellars, and others concerned:

Purpose. This circular is issued to inform you of the more significant changes to be set forth in a Treasury decision amending 26 CFR Part 201, Distilled Spirits Plants, and 26 CFR Part 240, Wine. These changes, which implement the provisions of Public Law 90-619, were published as a notice of proposed rule making in the Federal Register for December 24, 1968. The Treasury decision adopting these changes will soon be published in the Federal Register, and will become effective on February 1, 1969.

Use of Special Natural Wines in the Production of Wine Spirits. Present regulations prohibit the transfer of special natural wine from a bonded wine cellar to a distilled spirits plant for distillation into wine spirits. The amended regulations provide that pursuant to an application filed with and approved by the Assistant Regional Commissioner, unmarketable special natural wine may be removed to a distilled spirits plant for use as distilling material in the production of wine spirits. Such application may be filed to cover the removal of a single lot of unmarketable special natural wine or for continuing authority for such removals. The amended regulations further provide that if wine spirits produced from special natural wine contain any of the flavor characteristics of such wine, the wine spirits may only be used in the production of special natural wine. (§§ 201.11, 240.55, and 240.632)

Addition of Wine Spirits to Natural Wine. Present regulations provide that wine spirits may be added only to natural wines of the winemaker's own production. The amended regulations provide that wine spirits may be added to natural wines by persons other than the producing winemaker, if (1) such addition takes place in a bonded wine cellar at which natural wine is produced by fermentation of juice or must, and (2) that bonded wine cellar is located in the same State as the bonded wine cellar where the natural wine was produced. (§ 240.374)

Sweetening of High Acid Wines. Present regulations specify that the pure dry sugar or liquid sugar used in sweetening high acid wine may not increase the volume of ameliorated wine by more than 0.0675 gallons per gallon of juice and ameliorating material combined. The amended regulations provide that where pure dry sugar is used as the sweetener, high acid wines may be sweetened to the maximum authorized solids content without regard to the volumetric increase; however, where liquid sugar is used as the sweetener, the volume of sweetened wine shall be limited to that volume which would have resulted if the wine had been sweetened to its maximum authorized solids content with dry sugar. (§ 240.368)

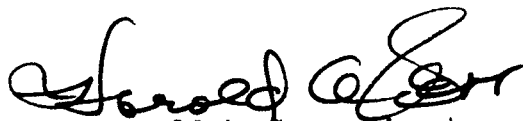
To make it easier to observe the volumetric limitations on the use of liquid sugar, a new table (Table IVb) has been added to Part 240. This table shows the pounds of dry cane or beet sugar required to raise the solids content of wine to the maximum authorized, and the resultant gallonage. From the "resultant gallonage" values, the maximum quantity of liquid sugar authorized for sweetening each gallon of wine may be ascertained (these values are applicable regardless of the type of liquid sugar used for sweetening). The notice of proposed rule making required that Table IVb be used in making this calculation. Further study indicated that this requirement should be relaxed. Accordingly, the use of Table IVb for determining the maximum quantity of liquid sugar authorized for sweetening has been made optional. (§§ 240.978d and 240.978e)

Records of Sweetening. The changes in volumetric limitations on sweetening high acid wines necessitated changes in related recordkeeping requirements at § 240.914b. The new requirements are less detailed and would allow proprietors the option of keeping their record on Form 2056, Record of Still Wine, instead of on a separate record of sweetening. Because the volumetric limitations will not be applicable where wine is sweetened with dry sugar, the recordkeeping requirements of § 240.914b will be limited to the sweetening of wine with liquid sugar. In addition, these recordkeeping requirements, which under present regulations only apply to the sweetening of high acid wines, will be extended to apply to the sweetening of any natural wine with liquid sugar. (§§ 240.363, 240.368, 240.406, and 240.914b)

Form 2056, Record of Still Wine, provided for in § 240.908, requires proprietors to record the quantity of any wine, other than special natural wine, before and after the addition of sweetening material. Thus, the sweetening of wine with concentrated or unconcentrated juice under §§ 240.368 and 240.403 has been recorded on Form 2056, even though not specifically required by regulations. The amended regulations specifically require this recordkeeping.

Alcohol Content Limitations Applicable in the Production of Certain Wines. The regulatory limitations on the alcoholic content of certain wines have been changed from "less than 14 percent" and "14 percent or more" to "not more than 14 percent" and "more than 14 percent" respectively. These changes will conform the regulatory language to the language of sections 5383, 5384, and 5385, I.R.C., as amended by Public Law 90-619, and to the usage of "not more than 14 percent" in the wine tax rate provisions of section 5041(b) of the Code. (§§ 240.46, 240.363, 240.368, 240.374, 240.406, 240.430, 240.461-240.464, and 240.483)

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.



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